

Service Date: May 15, 1981

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application)	
of the BUTTE WATER COMPANY for)	DOCKET NO. 81.3.25
Authority to Increase Rates and)	ORDER NO. 4801
Charges for Water Services to its)	
Butte, Montana customers.)	

INTERIM RATE ORDER

FINDINGS OF FACT

1. On March 5, 1981, Butte Water Company (Applicant or BWC) filed an application with this Commission for authority to increase the water rates on a permanent basis by approximately 25%, constitutes a revenue increase of approximately \$589,391.
2. On April 14, 1981, BWC filed an application for an interim increase in rates 15% equaling a revenue increase of approximately \$363,054 or 61.5% of the proposed permanent increase.
3. The interim rate request includes adjustments not accepted in total or in part in previous Commission orders such as: Amortization of Termination Cost, Amortization of Rate Case Expense and Increase in rates to Customers having sand traps in place. The rate of return applied for is also significantly above that granted in Order No. 4699a, Docket No. 6801 (the Company's most recent general rate proceeding).
4. Interim rules and guidelines call for "a clear showing that the petitioning utility is suffering an obvious income

deficiency." The Commission finds that reference to the adjustments and rate of return approved in the most recent BWC general rate order provide the most appropriate means to measure financial performance. Applying these parameters to current test year booked income and rate base sensibly annualized and corrected for accounting errors not only provides a financial picture consistent with the most recent Commission order (thus providing a basis for accurate comparability), but also avoids prejudging issues in the current case.

5. A schedule prepared consistent with the above criteria shows that BWC operations for the test period produced an overall return of 5.80% (Schedule 1). This compares with 11.19% approved in Order No. 4699a.

SCHEDULE 1

		Moke <u>38.5.157</u>
Booked Net Income, Test Period	186,382	
Annualization Adjustments:		
Wages	43,105	p.2
Fringes on Wages	12,371	p.2
Termination Expense*	(18,176)	p.6
Fringe on Constr., Labor	(3,619)	p.10
Rate Case Expense*	(52,897)	p.11
Officers Salaries	(4,033)	p.13
Medical and Hospital	(5,523)	p.13
Deferred Vacation	(534)	p.13
Workmen's Comp.	(129)	p.13
R. D. & D. Allowance	(354)	p.13
Depreciation Accrual	2,913	p.14
Licenses and Fees	<u>(96)</u>	p.13
Total Accepted O & M Adjustments	(26,972)	

Total Adjusted Net Income	213,354
Rate Base (Average 1980)	
Net Plant in Service	3,393,798
General Office Bldg. & Fixtures	(3,533)
Depr. Reserve Adj. 21	3,512
Depr. Reserve Adj. 18	(2,913)
Capitalized Items Not Recorded	141,239
Allowed Cash Working Capital*	<u>144,742</u>
Total Rate Base	3,676,845
Rate of Return	5.80%
Order No. 4699a Return	11.19%
Required Earnings	411,439
Earnings Shortfall	198,085

*Adjustments are consistent with Order No. 4699a

6. The Commission finds that this difference constitutes an obvious income deficiency in this instance, that deferred rate relief until a final order can be issued may adversely affect the utility's financial condition and further that under its current rate-making standards, the utility may be entitled to rate relief at the time a final order is issued in the proceedings.

7. The Commission finds that BWC's rate of return has eroded and accordingly, finds BWC entitled to interim rate relief of \$198,085 on an annual basis. (See Schedule 1, Finding of Fact No. 5)

8. Based upon the Commission's findings in Docket No. 6801 (Order Nos. 4699 and 4699a) the Commission finds here that interim relief determined appropriate in this order should be generated by increasing the rate for all services provided by the Applicant, other than sprinkling, on the basis of a uniform percentage increase. The increase is to be applied to all services other than sprinkling because the annual billing for sprinkling has already been rendered by the Company.

9. The Commission also finds that to be consistent with Order No. 5699a those consumers having sand traps installed as of September 22, 1980, should receive no increase in rates.

Conclusions of Law

1. The Butte Water Company is a public utility furnishing water service to customers in the Butte area. As such it is subject to the supervision, regulation and control of this Commission pursuant to Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase in the manner set forth herein is just reasonable and within the discretion granted by Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Butte Water Company is hereby granted authority to implement on an interim basis increased rates designed to generate additional annual revenues in the amount of \$198,085 which, however, shall be reduced in accordance with the limitation in Finding of Fact No. 9.

2. The Butte Water Company is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services except sprinkling.

3. The interim relief granted in this order is to be

effective for service rendered on and after May 11, 1981.

4. The increase granted herein is subject to rebate should the final order in this docket determine that a lesser increase is warranted. Such rebate would include interest at 12.3% per annum.

DONE IN OPEN SESSION THIS 11th day of May 1981 by a vote of

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE:

You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA: and Commission Rules of Practices and Procedure, esp. 38.2.4806 ARM.